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CBEC Protects Differential Duty Regime- Against Imports, For Domestic Manufacturing

- Three Notifications Released on 17 July to Over Ride March 2015 Supreme Court Ruling in SRF Case
- Zero duty Inputs Eligible for Duty Paid Clause, Dhiren Chemicals Judgement Overruled

-Arun Goyal-

The CBEC issued three notifications on 17 July to strengthen the differential duty regime and protect domestic manufacturing in India. In this, a high 12.5 percent duty is levied on imported goods compared to two percent on those made in India without availing CENVAT credit on taxes paid on inputs. This gives a differential duty benefit of 10.5 percent to domestic manufacture compared to imports.

Three excise notifications were issued on 17 July to strengthen the "CENVAT not availed" condition so as to give the low duty benefit only to domestic manufactures. It may be recalled that the Supreme Court ruling in the March 2015 SRF case allowed the low two percent duty benefits to imported goods. The Court held that the discrimination against imported goods was bad in law and imported goods must be given the same concessional duty as applicable to domestically produced goods since imported goods too do not avail CENVAT credit.

The 17 July notifications say that only manufacturers can benefit from the "CENVAT not availed" condition. Mere buyers are specifically excluded. Further, the excise on inputs going into manufacture must be paid in cash. The changes in the condition for low duty seek to over ride the concept of "deeming fiction" which underlies the Supreme Court ruling.

According to research on the implications of the notifications conducted in the Academy of Business Studies (ABS), 144 entries in excise notifications are covered by the differential duty strengthening measure. The entire textile industry is in the differential duty regime where imports are charged 12.5 percent CVD of excise while domestically produced goods move in a parallel zero excise duty stream. Other major items in the differential duty stream include Mobile Phones and Tablets, Coal, Fertilizers, HR and CR Steel Coils, Jewellery articles, Aluminium plates and sheets, and Copper for handicrafts. Another 132 items from the small and medium industry sector are charged only two percent excise in the differential duty regime under excise notification 1/2011 with the CENVAT not availed condition.

The challenge to the differential duty regime arose in the Supreme Court Judgement of 26 March 2015 in the SRF case in which two Members Bench of Justice AK Sikri and Rohinton Nariman held that imported goods are deemed manufactured in India and are eligible to the concessional duty applicable to goods manufactured in India which do not avail of Cenvat Credit. The Supreme Court interpreted the Section 3(1) of Customs Tariff Act to say that if CVD can be levied on imported goods not manufac-

tured in India under the deeming provision, these goods can also be deemed to be manufactured in India. Once imports get the "made in India" label, they fulfill the "CENVAT not availed" condition and thus get the concessional CVD of excise benefit of two percent duty instead of the normal 12.5 percent.

The SC judgement forced many customs field formations to clear imports at the low rate of duty applicable to goods manufactured in India without Cenvat Credit. It dealt a blow to the differential duty regime to protect domestic manufacturing. Customs revenue from countervailing duty went for a sixer, specially on high volume imports of HR coils, fertilizers and mobile phones which were cleared at low rate of duty instead of the default rate of 12.5 percent.

The stage is now set for a massive recovery of CVD at 12.5% for the month February-July period for consignments where low CVD of 2% or less was charged following the SRF ruling. Confrontation between Supreme Court and the Government is expected as the importers go to the Supreme Court with the prayer to strike down the 17 July notification.

The expression "appropriate duty paid" in the new condition became a source of major confusion since the Nil duty on inputs did not fall under the expression following the 2001 *Dhiren Chemicals* judgement of the Supreme Court. There were contrary views in the matter as the practices on the subject varied in the field and the Court Rulings on the subject too were also debatable.

For example, in the case of mobile industry, the inputs are exempt from both customs as well as excise duty so the concessional rate of duty at one percent on mobiles made in India will be denied. In other words, the concession is not available due to the expression "appropriate duty paid".



Crude Falls to \$55

Crude Oil (Indian Basket) from 15 to 21 July 2015

	15 July	16 July	17 July	20 July	21 July
(\$/bbl)	57.08	56.29	56.29	55.92	55.60
(Rs/bbl)	3617.73	3574.42	3573.85	3553.72	3538.94
(Rs/\$)	63.38	63.50	63.49	63.55	63.65

(Previous Trading Day Price)

Source: Ministry of Petroleum & Natural Gas

The Department issued an explanation by notification 39/2015-CE dated 21 July 2015. In this, it has amplified that the Nil duty on inputs is also eligible to be covered the expression "appropriate duty paid". The text of the insertion in the notification is given below:

(a) in **Condition No. 16**, under the heading "Conditions", after the entries, the following **Explanation** shall be inserted, namely:-
 "Explanation.- For the purposes of this condition, appropriate duty or appropriate additional duty includes nil duty or concessional duty, whether or not read with any relevant exemption notification for the time being in force.";

The Department also issued a Circular on 21 July 2015 wherein the background of the differential duty regime and the department's actions is explained.

The following points in the clarification may be noted:

1. The department is very clear that the domestic manufacturer should not be placed under disadvantage vis-a-vis imports under the "Make in India" policy of the Government.
2. A review petition has been filed against the SRF judgement so as to uphold the original differential duty policy. The current set of amendments is only to strengthen the condition, it is only making the "intention (of the government) abundantly clear". In other words, the government reserves its right to recover the concessional CVD paid by importers in the period between 25 March 2015 SRF judgement and 17 July 2015 series of notification amending the condition for the concessional duty.

We expect that litigation on the subject in the Supreme Court and elsewhere will result in changing positions. There is little hope for manufacturing from imported inputs. Too many cooks are spoiling the broth.

-ABS News Service-

Text of Notifications

36-CE In exercise of the powers conferred by sub-section (1) of 17.07.2015 section 5A of the Central Excise Act, 1944 (1 of 1944), (DoR) the Central Government being satisfied that it is necessary in the public interest so to do, hereby makes

the following further amendments in the notification of the Government of India in the Ministry of Finance (Department of Revenue), **No. 12/2012-Central Excise, dated the 17th March, 2012**, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R. 163(E), dated the 17th March, 2012, namely:-

In the said notification, in the ANNEXURE,-

(a) for **condition No. 16**, and the entries relating thereto, the following shall be substituted, namely:-

"16. If the said excisable goods are manufactured from inputs or capital goods on which appropriate duty of excise leviable under the First Schedule to the Excise Tariff Act or additional duty of customs under section 3 of the Customs Tariff Act, 1975 (51 of 1975) has been paid and no credit of such excise duty or additional duty of customs on inputs or capital goods has been taken by the manufacturer of such goods (and not the buyer of such goods) under rule 3 or rule 13 of the CENVAT Credit Rules, 2004.";

(b) in **Condition No. 20**, in clause (a), for the existing entry the following entry shall be substituted namely:-

"the said excisable goods are manufactured from inputs on which appropriate duty of excise leviable under the First Schedule to the Excise Tariff Act or additional duty of customs under section 3 of the Customs Tariff Act, 1975 (51 of 1975) has been paid and no credit of such excise duty or additional duty of customs on inputs has been taken by the manufacturer of such goods (and not the buyer of such goods), under rule 3 or rule 13 of the CENVAT Credit Rules, 2004.";

(c) for **condition No. 25**, and the entries relating thereto, the following shall be substituted, namely:-

"25. If the said excisable goods are manufactured from inputs or by utilising input services on which appropriate duty of excise leviable under the First Schedule to the Excise Tariff Act or additional duty of customs under section 3 of the Customs Tariff Act, 1975 (51 of 1975) or service tax under section 66 of the Finance Act, 1994 (32 of 1994) has been paid and no credit of such excise duty or additional duty of customs on inputs or service tax on input services has been taken by the manufacturer of such goods (and not the buyer of such goods), under rule 3 or rule 13 of the CENVAT Credit Rules, 2004.";

(d) for **condition No. 52A**, and the entries relating thereto, the following shall be substituted, namely:-

"52A. If the said excisable goods are manufactured from inputs or capital goods or by utilising input services on which appropriate duty of excise leviable under the First Schedule to the Excise Tariff Act or additional duty of customs under section 3 of the Customs Tariff Act, 1975 (51 of 1975) or service tax under section 66 of the Finance Act, 1994 (32 of 1994) has been paid and no credit of such excise duty or additional duty of customs on inputs or capital goods or service tax on input services has been taken by the manufacturer of such goods (and not the buyer of such goods), under rule 3 or rule 13 of the CENVAT Credit Rules, 2004.".

[F. No. 336/4/2015-TRU]

Extract from Jumbo Excise Notification 12-CE dated 17 March 2012

SNo.	Chapter/Heading	Item Description	Rate	Condition No.
201	72	Hot rolled or cold rolled sheets and strips cut or slit on job-work	Nil	16 and 17
222	7606	Aluminium plates and sheets (other than circles), intended for use in manufacture of utensils	Nil	16 and 21
223	7606	Aluminium circles	2500 per MT	16 and 21
254A	8471 30	Tablet computer	2%	16
263A	8517	Mobile handsets including cellular phones [12-CE/01.03.2015 – SNo. 263A amended; 04-CE/17.02.2014 – SNo. 263A amended; 12-CE/01.03.2013 – SNo. 263A inserted]	1%	16
217	7409	Trimmed or untrimmed sheets or circles of copper, intended for use in the manufacture of handicrafts or utensils Explanation- For the purposes of this entry, 'copper' means copper and copper alloys including brass [12-CE/01.03.2013 – SNo. 217 amended]	3500 per MT	19 and 20
199	7113	(I) Articles of jewellery; (II) Articles of silver jewellery	1% Nil	25 -
200	7114	(I) Articles of goldsmiths' or silversmiths' wares of precious metal or of metal clad with precious metal, bearing a brand name; (II) Gold coins of purity 99.5% and above and silver coins of purity 99.9% and above, bearing a brand name when manufactured from gold or silver respectively on which appropriate duty of customs or excise has been paid Explanation.- For the purposes of this exemption,- (1) "brand name" means a brand name or trade name, whether registered or not, that is to say, a name or a mark, such as a symbol, monogram, label, signature or invented words or any writing which is used in relation to a product, for the purpose of indicating, or so to indicate, a connection in the course of trade between the product and some person using such name or mark with or without any indication of the identity of that person; (2) an identity put by a jeweller or the job worker, commonly known as 'house-mark' shall not be considered as a brand name,	1% Nil	25 -
128	31	All goods, other than those which are clearly not to be used as fertilisers	1%	25
67	2701	All goods	1%	25
238A	8419 19	Solar water heater and system	Nil	52A

Condn. No.	Condition (Old)	Condition (New)
16.	If no credit under rule 3 or rule 13 of the CENVAT Credit Rules, 2004 has been taken in respect of the inputs or capital goods used in the manufacture of these goods.	If the said excisable goods are manufactured from inputs or capital goods on which appropriate duty of excise leviable under the First Schedule to the Excise Tariff Act or additional duty of customs under section 3 of the Customs Tariff Act, 1975 (51 of 1975) has been paid and no credit of such excise duty or additional duty of customs on inputs or capital goods has been taken by the manufacturer of such goods (and not the buyer of such goods) under rule 3 or rule 13 of the CENVAT Credit Rules, 2004.";

Explanation.- For the purposes of this condition, appropriate duty or appropriate additional duty includes nil duty or concessional duty, whether or not read with any relevant exemption notification for the time being in force.

[Explanation inserted by 39-CE/21.07.2015]

20. If, - (a) no credit of duty paid on inputs under rule 3 or rule 13 of the CENVAT Credit Rules, 2004 has been taken; the said excisable goods are manufactured from inputs on which appropriate duty of excise leviable under the First Schedule to the Excise Tariff Act or additional duty of customs under section 3 of the Customs Tariff Act, 1975 (51 of 1975) has been paid and no credit of such excise duty or additional duty of customs on inputs has been taken by the manufacturer of such goods (and not the buyer of such goods), under rule 3 or rule 13 of the CENVAT Credit Rules, 2004

Explanation.- For the purposes of this condition, appropriate duty or appropriate additional duty includes nil duty or concessional duty, whether or not read with any relevant exemption notification for the time being in force.

[Explanation inserted by 39-CE/21.07.2015]

(b) the entire amount of duty is paid in cash or through account current: Provided that the duty shall not be payable by a manufacturer who produces or manufactures trimmed sheets or circles from duty paid untrimmed sheets or circles. No Change

25 If no credit under rule 3 or rule 13 of the CENVAT Credit Rules, 2004, has been taken in respect of the inputs or input services used in the manufacture of these goods. If the said excisable goods are manufactured from inputs or by utilising input services on which appropriate duty of excise leviable under the First Schedule to the Excise Tariff Act or additional duty of customs under section 3 of the Customs Tariff Act, 1975 (51 of 1975) or service tax under section 66B of the Finance Act, 1994 (32 of 1994) has been paid and no credit of such excise duty or additional duty of customs on inputs or service tax on input services has been taken by the manufacturer of such goods (and not the buyer of such goods), under rule 3 or rule 13 of the CENVAT Credit Rules, 2004."

Explanation.- For the purposes of this condition, appropriate duty or appropriate additional duty or appropriate service tax includes nil duty or nil service tax or concessional duty or concessional service tax, whether or not read with any relevant exemption notification for the time being in force.

[Explanation inserted by 39-CE/21.07.2015]

52A If no credit under rule 3 or rule 13 of the CENVAT Credit Rules, 2004 has been taken in respect of inputs or input service or capital goods used in the manufacture of these goods. If the said excisable goods are manufactured from inputs or capital goods or by utilising input services on which appropriate duty of excise leviable under the First Schedule to the Excise Tariff Act or additional duty of customs under section 3 of the Customs Tariff Act, 1975 (51 of 1975) or service tax under section 66B of the Finance Act, 1994 (32 of 1994) has been paid and no credit of such excise duty or additional duty of customs on inputs or capital goods or service tax on input services has been taken by the manufacturer of such goods (and not the buyer of such goods), under rule 3 or rule 13 of the CENVAT Credit Rules, 2004."

Explanation.- For the purposes of this condition appropriate duty or appropriate additional duty or appropriate service tax includes nil duty or nil service tax or concessional duty or concessional service tax, whether or not read with any relevant exemption notification for the time being in force.

[Explanation inserted by 39-CE/21.07.2015]

34-CE In exercise of the powers conferred by sub-section (1) of section 5A of the Central Excise Act, 1944 (1 of 1944) read with sub-section (3) of section 3 of the Additional Duties of Excise (Goods of Special Importance) Act, 1957 (58 of 1957), the Central Government being satisfied that it is necessary in the public interest so to do, hereby makes the following further amendment in the notification of the Government of India in the Ministry of Finance (Department of Revenue), **No 30/2004-Central Excise, dated the 9th July, 2004**, published in the Gazette of India, Extraordinary, Part II,

Section 3, Sub-section (i), vide number G.S.R. 421(E), dated the 9th July, 2004, namely :-

In the said notification, in the **opening paragraph**, for the proviso, the following proviso shall be **substituted**, namely:-

"Provided that the said excisable goods are manufactured from inputs on which appropriate duty of excise leviable under the First Schedule to the Central Excise Tariff Act or additional duty of customs under section 3 of the Customs Tariff Act, 1975 (51 of 1975) has been paid and no credit of such excise duty or additional duty of customs on inputs has been taken by the manufacturer of such goods (and not the buyer of such goods), under the provisions of the CENVAT Credit Rules, 2004."

[Previous to this, the Proviso was "Provided that nothing contained in this notification shall apply to the goods in respect of which credit of duty on inputs or capital goods has been taken under the provisions of the CENVAT Credit Rules, 2004" - Substituted by 34-CE/17.07.2015].

Explanation.- For the purposes of this notification, appropriate duty or appropriate additional duty includes nil duty or concessional duty, whether or not read with any relevant exemption notification for the time being in force.

[Explanation inserted by 37/2015 – Central Excise dated 21 July 2015]

[F. No. 336/4/2015-TRU]

35-CE In exercise of the powers conferred by sub-section (1) of section 5A of the Central Excise Act, 1944 (1 of 1944), the Central Government being satisfied that it is necessary in the public interest so to do, hereby makes the following further amendment in the notification of the Government of India in the Ministry of Finance (Department of Revenue) **No. 1/2011-Central Excise, dated the 1st March, 2011** published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R. 116(E), dated the 1st March, 2011, namely: -

In the said notification, in the **opening paragraph**, for the proviso, the following proviso shall be **substituted**, namely:-

"Provided that the said excisable goods are manufactured from inputs or by utilising input services on which appropriate duty of excise leviable under the First Schedule to the Central Excise Tariff Act, 1985 (5 of 1986) or additional duty of customs under section 3 of the Customs Tariff Act, 1975 (51 of 1975) or service tax under section 66 of the Finance Act, 1994 (32 of 1994) has been paid and no credit of such excise duty or additional duty of customs on inputs or service tax on input services has been taken by the manufacturer of such goods (and not the buyer of such goods), under the provisions of the CENVAT Credit Rules, 2004."

[Previous to this, the Proviso was "Provided that nothing contained in this notification shall apply to the goods in respect of which credit of duty on inputs or tax on input services has been taken under the provisions of the CENVAT Credit Rules, 2004" - Substituted by 35-CE/17.07.2015].

Explanation.- For the purposes of this notification, appropriate duty or appropriate additional duty or appropriate service tax includes nil duty or nil service tax or concessional duty or concessional service tax, whether or not read with any relevant exemption notification for the time being in force.

[Explanation inserted by 38/2015 – Central Excise dated 21 July 2015]

[F. No. 336/4/2015-TRU]

Subject: Judgment of the Supreme Court in the case of M/s SRF Ltd. versus Commissioner of Customs. Chennai - Clarification relating to notifications No.30/2004-Central Excise dated 09.07.2004. No. 1/2011-Central Excise dated 01.03.2011 and No. 12/2012-Central Excise dated 17.03.2012. as amended.

1005-CBEC It may recalled that the Hon'ble Supreme Court, in the 21.07.2015 case of M/s SRF Ltd. versus Commissioner of Customs. Chennai and M/s ITC Ltd. v/s Commissioner of Customs (I&G), New Delhi relating to CVD exemption, has held

that the benefit of excise duty exemption [available to final products manufactured by the domestic manufacturer, subject to the condition of non-availing of CENVAT credit of duty on inputs or capital goods used by such manufacturer for manufacture of such final products] will also be available to the importers of such final products for the purposes of CVD on the ground that the importer was not availing the credit of duty on inputs or capital goods.

2. The implication of the Hon'ble Supreme Court judgment was that all such final products when imported by manufacturer importer would have attracted

concessional excise duty as CVD, while the domestic manufacturer of such final products had to forgo input tax credit to be eligible for such concessional rate. This would put the domestic manufacturers at a disadvantage vis-a-vis imports and would adversely impact the Make in India Policy of the Government.

3. The Judgment of the Hon'ble Supreme Court was examined in CBEC and it was found that there were certain errors apparent on record / interpretational issues and, with the concurrence of the Ld. Attorney General, a Review Petition / Revision Application has been filed against the same.

4. However, keeping in view the adverse implications of the aforesaid judgment on the domestic industry, legal opinion was sought from the Ministry of Law & Justice as to whether pending the aforesaid Review Petition / Revision Application, such conditions in the relevant notifications be suitably amended so as to make the intention abundantly clear (that these conditions are to be satisfied by the manufacturers of such goods and not the buyer / importer of such goods).

5. In this context, opinion of the Ministry of Law & Justice was also sought. With the concurrence of the Ld. Attorney General, notifications No.34/2015-CE, No.35/2015-CE and No. 36/2015-CE all dated 17.7.2015 were issued amending the con-

ditions in notifications 30/2004-CE dated 09.07.2004, No. 1/2011-CE dated 01.03.2011 and No. 12/2012-CE dated 17.03.2012, respectively.

6. In the above context, apprehensions have been raised about the use or the phrase or "appropriate duty". In this regard, Explanations have been inserted in the notifications No.30/2004-CE dated 09.07.2004, No. 1/2011-CE dated 01.03.2011 and No. 12/2012-CE dated 17.03.2012 so as to clarify that the appropriate duty or appropriate additional duty or appropriate service tax for the purposes of the said notifications / entries includes nil duty or tax or concessional duty or tax, whether or not read with any relevant exemption notification for the time being in force.

7. It may, therefore, be noted that the domestically manufactured goods covered under these notifications / entries continue to be exempt from excise duty or subject to concessional rate of excise duty, as the case may be, as they were prior to 17th July, 2015.

8. Trade Notice/Public Notice may be issued to the field formations and taxpayers.

9. Difficulties faced, if any, in implementation of this Circular may be brought to the notice of the Board.

F.No. 336/4/2015-TRU

Diamond Certification and Grading Procedure for Import and Re-export with Duty Exemption Notified

Ntnf 40 In exercise of the powers
21.07.2015 conferred by sub-section (1)
(DoR) of section 25 of the Customs
Act, 1962 (52 of 1962), the

Central Government, being satisfied that it is necessary in the public interest so to do, hereby exempts cut and polished diamonds falling under Chapter 71 of the First Schedule to the Customs Tariff Act, 1975 (51 of 1975), when imported (for grading or certification and re-export out of India) by the laboratories and agencies (hereinafter referred to as the said laboratories and agencies) notified in the Foreign Trade Policy and mentioned in the Table below, from the whole of the duty of customs leviable thereon which is specified in the said First Schedule, subject to fulfillment of the following conditions, namely:-

Table

SNo.	Name of laboratory/agency
1.	Gemological Institute of America (GIA), Mumbai, Maharashtra, India
2.	Indian Diamond Institute, Surat, Gujarat, India
3.	International Institute of Diamond Grading & Research India Pvt. Ltd., Surat, Gujarat, India

(i) the said laboratories and agencies shall furnish a general bond to the satisfaction of the Assistant Commissioner/Deputy Commissioner of Customs at the port of import, undertaking to properly account for the diamonds, to follow the procedure specified in paragraph 4.75 of the Handbook of Procedures and to re-export diamonds within the period as mentioned in the said paragraph of Handbook of Procedures;

(ii) the import shall be allowed under bill of entry having the detailed description of the diamonds, including inter alia, the dimensions, weight, colour,

caratage, specification, approximate value, etc. of each piece of diamonds;

(iii) the bill of entry should carry the endorsement "only for certification and grading";

(iv) the said laboratories and agencies while taking the diamonds in their unit, shall allot a 'unique control number' for identification purposes and maintain a separate account for such diamonds;

(v) after grading or certification, the diamonds shall be re-exported under a shipping bill containing the detailed description as was mentioned at the time of their import;

(vi) cross reference of bill of entry shall be endorsed in the shipping bill;

(vii) the said laboratories and agencies shall submit alongwith the shipping bill, a certificate to the effect that the diamonds being re-exported are the same as those imported;

(viii) the said laboratories and agencies shall obtain Guaranteed Remittance (GR) waiver in respect of import and re-export as per the procedure laid down by the Reserve Bank of India (RBI) and realise the foreign exchange for the service charges in terms of the Reserve Bank of India (RBI) guidelines;

(ix) the Custom Officers may visit the premises of the said laboratories and agencies for audit or checks;

(x) the diamonds imported for certification or grading shall be re-exported within a period of three months from the date of their import;

(xi) the said laboratories and agencies shall submit a quarterly statement by 25th of the month following the particular quarter and the statement shall reflect the bill of entry number, date, details of diamonds and details of re-export, etc.; and

(xii) re-export shall be allowed only from the port through which import took place.

MEIS of 5% on Handicrafts Restored

- 2% MEIS for Japan, Sri Lanka and Bangladesh Introduced
- Handicraft Exporters Body given Powers to Classify Export Goods

Subject: Merchandise Exports from India Scheme (MEIS) - Additions/amendments in Table 1 (containing list of country groups) and Table 2 [containing ITC (HS) code wise list of products with reward rates] of Appendix 3B

27-PN(RE) In exercise of powers
14.07.2015 conferred under paragraph
(DGFT) 2.04 of the Foreign Trade
Policy 2015-2020, the

Director General of Foreign Trade hereby makes the following additions/amendments in Table 1 and Table 2 of Appendix 3B notified through Annexure to Public Notice No.2 dated April 1, 2015 with immediate effect:

I-Amendments in Table 1 [containing list of country groups]

A-Norway, Switzerland, Iceland, and Liechtenstein **shifted** from country group C to country group A

B-Hong Kong **shifted** from country group C to country group B

II- Additions/amendments in Table 2 [containing ITC (HS) code wise list of products with reward rates under MEIS]

[Tables are available at www.worldtradesscanner.com]

Bangladesh and Sri Lanka - 118 MEIS Rates Raised to 2% from 0

Subject: Merchandise Exports from India Scheme (MEIS) - Amendments in Table 2 [containing ITC (HS) code wise list of products with reward rates] of Appendix 3B - Corrigendum to Public Notice No.27 dated July 14, 2015

28-PN(RE) In exercise of powers
15.07.2015 conferred under paragraph
(DGFT) 2.04 of the Foreign Trade
Policy 2015-2020 and in

partial modification of public notice No 27 dated July 14, 2015, the Director General of Foreign Trade hereby makes the following amendments in Table 2 of Appendix 3B notified through Public Notice No.2 dated April 1, 2015. This will be effective from July 14, 2015.

[Tables are available at www.worldtradesscanner.com]

Explanation. - For the purposes of this notification, -

(a) "Foreign Trade Policy" means the Foreign Trade Policy, 2015 - 2020 notified by the Government of India in the Ministry of Commerce and Industry, published in the Gazette of India, Extraordinary, Part-II, Section 3, Sub-section (ii) vide notification No. 01/2015-2020, dated the 1st April, 2015;

(b) "Handbook of Procedures" means the Handbook of Procedures notified by the Government of India in the Ministry of Commerce and Industry, published in the Gazette of India, Extraordinary, Part-I, Section 1 vide Public Notice No. 01/2015-2020, dated the 1st April, 2015.

[F.NO.: DGEP/G&J/428/2006]

Narcotics Commissioner Gwalior NOC Required for 22 Items

Subject: Import policy of 'Controlled Substances' under the NDPS Act, 1985.

15-Ntnf(RE) In exercise of powers conferred by Section 3 of FT (D&R) Act, 1992, read with
21.07.2015 paragraph 1.02 and 2.01 of the Foreign Trade Policy, 2015-2020, as amended from
(DGFT) time to time, the Central Government hereby amends the Import Policy Conditions
of the following items with immediate effect, in Chapter 28 and 29 of ITC (HS),
2012- Schedule – 1 (Import Policy), as under:

SNo.	ITC (HS) Code	Item Description	Import Policy	Policy Conditions
1	28416100	Potassium permanganate	Free	NOC from Narcotics Commissioner of India, Gwalior
2	29141200	Butanone (methyl ethyl ketone)	Free	NOC from Narcotics Commissioner of India, Gwalior
3	29143100	Phenylacetone (phenylpropan-2-one)	Free	However, NOC from Narcotics Commissioner of India, Gwalior is required for import of 1 – phenyl – 2 propanone.
4	29152400	Acetic anhydride	Restricted	NOC from Narcotics Commissioner of India, Gwalior
5	29163400	Phenylacetic acid and its salts	Free	NOC from Narcotics Commissioner of India, Gwalior
6	29224300	Anthranilic acid and its salts	Free	However, NOC from Narcotics Commissioner of India, Gwalior is required for import of Anthranilic acid.
7	29242300	2-Acetamidobenzoic acid (N-acetylanthranilic acid) and its salts	Free	However, NOC from Narcotics Commissioner of India, Gwalior is required for import of N – Acetylanthranilic acid.
8	29329100	Isosafrole	Free	NOC from Narcotics Commissioner of India, Gwalior
9	29329200	1-(1,3-Benzodioxol-5-yl) propan-2-one	Free	However, NOC from Narcotics Commissioner of India, Gwalior is required for import of 3,4-Methylenedioxyphenyl – 2 – propanone.
10	29329300	Piperonal	Free	NOC from Narcotics Commissioner of India, Gwalior
11	29329400	Safrole	Free	However, NOC from Narcotics Commissioner of India, Gwalior is required for import of Safrole and any essential oil containing 4% or more safrole.
12	2939 41	Ephedrine and its salts :		
(i)	29394110	Ephedrine alkaloids	Restricted	NOC from Narcotics Commissioner of India, Gwalior is required for import of Ephedrine, its salts and preparations thereof.
(ii)	29394120	Ephedrine hydrochloride	Restricted	NOC from Narcotics Commissioner of India, Gwalior is required for import of Ephedrine, its salts and preparations thereof.
(iii)	29394190	Other	Free	However, NOC from Narcotics Commissioner of India, Gwalior is required for import of Ephedrine, its salts and preparations thereof.
13	29394200	Pseudoephedrine (INN) and its salts	Restricted	NOC from Narcotics Commissioner of India, Gwalior is required for import of Pseudoephedrine, its salts and preparation thereof.
14	29394400	Norephedrine and its salts	Restricted	NOC from Narcotics Commissioner of India, Gwalior is required for import of Norephedrine (Phenylpropanolamine), its salts and preparation thereof.
15	2939 61	Ergometrine (INN) and its salts:		
(i)	29396110	Ergometrine (INN)	Free	NOC from Narcotics Commissioner of India, Gwalior
(ii)	29396190	Other	Free	NOC from Narcotics Commissioner of India, Gwalior
16	293962	Ergotamine (INN) and its salts	Free	NOC from Narcotics Commissioner of India, Gwalior
(i)	29396210	Ergotamine tartrate	Free	NOC from Narcotics Commissioner of India, Gwalior
(ii)	29396290	Other	Free	NOC from Narcotics Commissioner of India, Gwalior
17	29396300	Lysergic acid and its salts	Free	NOC from Narcotics Commissioner of India, Gwalior

3. Effect of this notification

Import of above 'Controlled Substances' shall be permitted subject to 'No Objection Certificate (NOC)' from Narcotics Commissioner of India, Gwalior.

Export Factoring Services with Recourse Basis Allowed

Sub: Export factoring on non-recourse basis

AP(DIR Srs) In order to facilitate exports,
Cir.05 Authorised Dealer
16.07.2015 Category- I (AD Category –
(RBI) I) banks have been
permitted to provide 'export

factoring' services to exporters on 'with recourse' basis by entering into arrangements with overseas institutions for this purpose without prior approval from the Reserve Bank of India subject to compliance with guidelines issued by the Department of Banking Regulation in this regard.

2. Taking into account the recommendation made by the Technical Committee on Facilities and Services to the Exporters (Chairman: Shri G. Padmanabhan), it has been decided to permit AD banks to factor the export receivables on a non-recourse basis, so as to enable the exporters to improve their cash flow and meet their working capital requirements subject to conditions as under:

a) AD banks may take their own business decision to enter into export factoring arrangement on non-recourse basis. They should ensure that their client is not over financed. Accordingly, they may determine the working capital requirement of their clients taking into account the value of the invoices purchased for factoring. The invoices purchased should represent genuine trade invoices.

b) In case the export financing has not been done by the Export Factor, the Export Factor may pass on the net value to the financing bank/ Institution after realising the export proceeds.

c) AD bank, being the Export Factor, should have an arrangement with the Import Factor for credit evaluation & collection of payment.

d) Notation should be made on the invoice that importer has to make payment to the Import Factor.

e) After factoring, the Export Factor may close the export bills and report the same in the Export Data Processing and Monitoring System (EDPMS) of the Reserve Bank of India.

f) In case of single factor, not involving Import Factor overseas, the Export Factor may obtain credit evaluation details from the correspondent bank abroad.

g) KYC and due diligence on the exporter shall be ensured by the Export Factor.

3. Authorised Dealers may bring the contents of this circular to the notice of their constituents concerned.

4. The directions contained in this circular have been issued under section 10(4) and 11(1) of the Foreign Exchange Management Act (FEMA), 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

Service Tax Scrutiny Must for Max 5% of Returns in Each Commissionerate

Sub: Instructions regarding Detailed Scrutiny of Central Excise Returns.

1004-CBEC In view of the self-assessment
21.07.2015 procedure wherein the
(DoR) assessee himself assesses the
duty liability, the responsibility

of the departmental officers is to scrutinise the assessment made for verification of its correctness. Return scrutiny is the first line of verification carried out as soon as the tax return is submitted by the assessee. A returns scrutiny process consists of two parts viz. preliminary scrutiny and detailed scrutiny. While the preliminary scrutiny system covers all the returns filed online, detailed scrutiny system covers a few returns selected on the basis of identified risk parameters. In exercise of powers conferred under sub-rule (3) of rule 12 of the Central Excise Rules, 2002, Board hereby lays down following guidelines for detailed scrutiny of Central Excise Returns:

i) Detailed Scrutiny of Central Excise returns should be conducted regularly by the proper officers in the field following the procedure already prescribed. Detailed scrutiny of a minimum of 2% and maximum of 5% of the total returns received in a month shall be mandatorily performed by the proper officer.

ii) Selection of assessees by the Commissionerates for detailed scrutiny shall be based on Risk score and procedure for using it, as forwarded by DG (Audit) vide letter F. No. 381/20/2015 dated 18.05.2015. Chief Commissioners and Commissioners shall also have powers to manually select returns for detailed scrutiny using such criteria as deemed fit to further complement the list of assessees selected on the basis of risk. After selection of units centrally, month-wise detailed scrutiny plan should be laid down by the Commissionerate headquarters for each Range, conveyed to the Range and monitored for compliance.

iii) As assessee who has been selected for audit in a given financial year shall not be selected for detailed scrutiny. Further, once the return of an

assessee has been selected for detailed scrutiny, the return of the assessee should not be selected again for the next 12 months for detailed scrutiny.

iv) Once an assessee has been selected for detailed scrutiny, most recent return filed by that assessee should be used for conducting the detailed scrutiny. During the course of detailed scrutiny of Central Excise returns by proper officer, the documents and records of assessees, where necessary, may be called for verification by proper officer.

v) In Composite Ranges where there are both Central Excise and Service Tax assessees, the total number of Central Excise and Service Tax returns to be taken up for detailed scrutiny shall be same as prescribed at para (i) above. The ratio of returns for Service Tax & Central Excise to be scrutinised in a composite range shall be in the ratio of the number of assessees registered as Service Tax and Central Excise assessees respectively. For detailed scrutiny of Service Tax returns, Board's Circular No. 185/4/2015-Service Tax dated 30.06.2015 may be referred.

vi) On issues relating to difficulty, if any, in access of returns on ACES, DG (Systems) shall be directly contacted/ appraised by the Chief Commissioner/ Commissioner concerned. Where the problem persists over a long period of time, the same may be brought to the notice of the Board. In the interim, where necessary, printouts of the return may be taken from ACES and detailed scrutiny done manually using the printout.

vii) Past circulars/ manuals/ instructions on detailed scrutiny in conflict with above instructions shall stand rescinded to the extent of the conflict.

2. Difficulty, if any, in implementation of the procedure may please be brought to the notice of the Board.

F. No. 206/15/2014-CX.6

Exports Slide Continues, Down 15.8% in June; Imports to Fall by 13.4%

A. Exports (including re-exports)

Exports during June, 2015 were valued at US \$22289.43 million (Rs. 142341.88 crore) which was 15.82 per cent lower in Dollar terms (10.00 per cent lower in Rupee terms) than the level of US \$26479.72 million (Rs. 158165.21 crore) during June, 2014. Cumulative value of exports for the period April-June 2015-16 was US \$ 66690.90 million (Rs 423315.24 crore) as against US \$80112.30 million (Rs 478928.90 crore) registering a negative growth of 16.75 per cent in Dollar terms and 11.61 per cent in Rupee terms over the same period last year.

B. Imports

Imports during June, 2015 were valued at US \$33116.55 million (Rs. 211484.61 crore) which was 13.40 per cent lower in Dollar terms and 7.42 per cent lower in Rupee terms over the level of imports valued at US \$ 38242.96 million (Rs.

228427.88 crore) in June, 2014. Cumulative value of imports for the period April-June 2015-16 was US \$98916.56 million (Rs 627830.30 crore) as against US \$ 113196.23 million (Rs 676694.53 crore) registering a negative growth of 12.61 per cent in Dollar terms and 7.22 per cent in Rupee terms over the same period last year.

C. Crude Oil And Non-Oil Imports

Oil imports during June, 2015 were valued at US \$8676.38 million which was 34.97 per cent lower than oil imports valued at US \$13342.79 million in the corresponding period last year. Oil imports during April-June, 2015-16 were valued at US \$ 24657.97 million which was 39.54 per cent lower than the oil imports of US \$ 40785.50 million in the corresponding period last year.

Non-oil imports during June, 2015 were estimated at US \$24440.17 million which was 1.85 per cent lower than non-oil imports of US \$24900.17 million in June, 2014. Non-oil imports during April-

CSIR Claims Victory in Nutmeg Mouthwash Battle with Colgate Palmolive

India had foiled an attempt by consumer goods giant Colgate-Palmolive to patent a mouthwash formula containing herb extract by citing ancient texts that show it was traditionally used in ancient medicinal practices. Traditional Knowledge Digital Library of Council of Scientific & Industrial Research (CSIR-TKDL) had submitted proof in the form of references from ancient books, which said the herb and its extracts of Myristica Fragrans were used for oral diseases in Indian systems of medicine. In addition, other third party observations also made submissions against the claims.

Meanwhile, various institutions of CSIR filed applications for 14 patents in India and for 22 abroad in the month of April 2015. Out of these one (1) patents were granted in India and 14 abroad.

June, 2015-16 were valued at US \$ 74258.59 million which was 2.55 per cent higher than the level of such imports valued at US \$ 72410.73 million in April-June, 2014-15.

D. Trade Balance

The trade deficit for April-June, 2015-16 was estimated at US \$ 32225.66 million which was lower than the deficit of US \$ 33083.93 million during April-June, 2014-15.

Exports & Imports: (US \$ Million)

	<i>(Provisional)</i>	
	June	April-June
Exports (including re-exports)		
2014-15	26479.72	80112.30
2015-16	22289.43	66690.90
%Growth 2015-16/ 2014-15	-15.82	-16.75
Imports		
2014-15	38242.96	113196.23
2015-16	33116.55	98916.56
%Growth 2015-16/ 2014-15	-13.40	-12.61
Trade Balance		
2014-15	-11763.24	-33083.93
2015-16	-10827.12	-32225.66

India's Foreign Trade (Services): MAY, 2015 (As per the RBI Press Release dated 15th July, 2015)

A. Exports (Receipts)

Exports during May, 2015 were valued at US \$ 11874 Million (Rs. 75756.48 Crore).

B. Imports (Payments)

Imports during May, 2015 were valued at US \$ 6318 Million (Rs. 40309.03 Crore).

C. Trade Balance

The trade balance in Services (i.e. net export of Services) for May, 2015 was estimated at US \$ 5556 Million.

Exports & Imports (Services): (US\$ Million)

	<i>(Provisional)</i>	
	May 2015-16	
Exports (Receipts)	11874.00	
Imports (Payments)	6318.00	
Trade Balance	5556.00	

Tariff Value of Brass Scrap Falls by \$45/MTs; Poppy Seeds \$689/MTs; Crude Palm Oil \$12/MTs; Crude Soya Bean Oil \$21/MTs; RBD Palm Oil \$8-10/MTs; Palmolein \$3/MTs

Gold and Silver Down by \$6/10 gms and \$18/kg Respectively

67-Cus(NT) In exercise of the powers conferred by sub-section (2) of 15.07.2015 section 14 of the Customs Act, 1962 (52 of 1962), the (DoR) Central Board of Excise & Customs, being satisfied that it is necessary and expedient so to do, hereby makes the following amendment in the notification of the Government of India in the Ministry of Finance (Department of Revenue), No. 36/2001-Customs (N.T.), dated the 3rd August, 2001, published in the Gazette of India, Extraordinary, Part-II, Section-3, Sub-section (ii), vide number S.O. 748 (E), dated the 3rd August, 2001, namely:-

In the said notification, for TABLE-1, TABLE-2, and TABLE-3 the following Tables shall be substituted namely:-

"Table-1

SNo.	Chapter/heading/sub-heading/tariff item	Description of goods	Tariff value US \$ (Per Metric Tonne)
(1)	(2)	(3)	(4)
1	1511 10 00	Crude Palm Oil	650
2	1511 90 10	RBD Palm Oil	674
3	1511 90 90	Others – Palm Oil	662
4	1511 10 00	Crude Palmolein	680
5	1511 90 20	RBD Palmolein	683
6	1511 90 90	Others – Palmolein	682
7	1507 10 00	Crude Soyabean Oil	742
8	7404 00 22	Brass Scrap (all grades)	3488
9	1207 91 00	Poppy seeds	1913

Table-2

SNo.	Chapter/heading/sub-heading/tariff item	Description of goods	Tariff value (US \$)
(1)	(2)	(3)	(4)
1	71 or 98	Gold, in any form, in respect of which the benefit of entries at serial number 321 and 323 of the Notification No. 12/2012-Customs dated 17.03.2012 is availed	376 per 10 grams
2	71 or 98	Silver, in any form, in respect of which the benefit of entries at serial number 322 and 324 of the Notification No. 12/2012-Customs dated 17.03.2012 is availed	498 per Kilogram

Table-3

SNo.	Chapter/heading/sub-heading/tariff item	Description of goods	Tariff value (US \$ Per Metric Tons)
(1)	(2)	(3)	(4)
1	080280	Areca nuts	2268"

[F. No. 467/01/2015-Cus-V Pt. I]

Minister says IPR Policy to Fully Protect Patents, GIs and Copyrights

Micromax Gets 1.25th Million International Trademark

Union Commerce & Industry Minister has said that the final draft of the National IPR Policy has been circulated for inter-ministerial consultation and will be put up to the Union Cabinet for approval after getting the comments.

Ms. Nirmala Sitharaman was inaugurating a seminar on 'Protecting Brands Abroad with the Madrid System' organized by FICCI, in association with World Intellectual Property Organization (WIPO) and DIPP. She said that India's IPR Policy shall fully protect patent, GI and copyrights.

The draft policy, she said, focuses on stronger enforcement of IPR by increasing the manpower strength in IP offices and reducing the pendency of IPR filings. Most of the offices have done away with manual interface as all applications, queries and decisions are made online.

The Minister presented a certificate of appreciation to Mr. Vineet Taneja, CEO of Micromax, on its acquisition of the 1.25th million international trademark under the Madrid System.

Speaking on the Madrid Protocol on registering and managing Trade Marks worldwide, the Minister said that the system allows an applicant to file one application, in one language and pay one set of fees to protect the Trademark in all WIPO member countries.

BIG's Weekly Index of Changes No 17/22-28 July 2015

Exchange Rates for Customs Valuation

Rupee Gains against All Currencies for Customs Valuation in 16 July 2015 Notification

68-Cus(NT) In exercise of the powers conferred by section 14 of 16.07.2015 the Customs Act, 1962 (52 of 1962), and in super (DoR) session of the notification of the Government of India in the Ministry of Finance (Department of Revenue)

No.66/2015-CUSTOMS (N.T.), dated the 2nd July, 2015, except as respects things done or omitted to be done before such super session, the Central Board of Excise and Customs hereby determines that the rate of exchange of conversion of each of the foreign currency specified in column (2) of each of Schedule I and Schedule II annexed hereto into Indian currency or vice versa shall, **with effect from 17th July, 2015** be the rate mentioned against it in the corresponding entry in column (3) thereof, for the purpose of the said section, relating to imported and export goods.

SNo.	Currency	Imprted Goods		Exported Goods	
		Current	Previous	Current	Previous
(1)	(2)	(3)		(3)	
		(a)		(b)	

Schedule I – Rate of exchange of one unit of foreign currency equivalent to Indian rupees

1.	Australian Dollar	47.60	49.45	46.20	48.05
2.	Bahrain Dinar	173.45	173.85	163.95	164.35
3.	Canadian Dollar	49.80	51.20	48.60	50.05
4.	Danish Kroner	9.45	9.60	9.20	9.30
5.	EURO	70.35	71.45	68.60	69.70
6.	Hong Kong Dollar	8.25	8.30	8.15	8.15
7.	Kuwait Dinar	216.15	216.80	204.30	204.55
8.	Newzeland Dollar	42.30	43.35	41.00	42.20
9.	Norwegian Kroner	7.90	8.15	7.70	7.95
10.	Pound Sterling	100.50	100.70	98.25	98.45
11.	Singapore Dollar	47.05	47.65	46.05	46.65
12.	South African Rand	5.25	5.35	4.95	5.05
13.	Saudi Arabian Riyal	17.45	17.50	16.50	16.50
14.	Swedish Kroner	7.55	7.70	7.35	7.50
15.	Swiss Franc	67.45	68.15	65.90	66.55
16.	UAE Dirham	17.80	17.85	16.85	16.85
17.	US Dollar	64.10	64.25	63.10	63.20

Schedule II – Rate of exchange of 100 units of foreign currency equivalent to Indian rupees

1.	Japanese Yen	51.95	52.25	50.80	51.05
2.	Kenya Shilling	64.25	66.00	60.45	62.35

[F.No.468/01/2015-Cus.V]

TISA Moves Forward, Bypassing WTO

Negotiations for a planned agreement to liberalise services trade continued to make steady progress last week.

The 6-10 July meeting on the Trade in Services Agreement (TISA), as the proposed deal is known, included a regular negotiating round as well as the above-mentioned stocktaking meeting, the latter of which involved a review of all negotiating topics, from offers to proposals to draft text.

The past week also saw Mauritius formally join the services talks, bringing the number of participants to 25, when including the 28-nation EU as one party. Mauritius is the first African country to join the TISA initiative and had confirmed its intent to request a seat at the negotiating table this past March.

The group now includes Australia, Canada, Chile, Chinese Taipei, Colombia, Costa Rica, the EU, Hong Kong, Iceland, Israel, Japan, Korea, Liechtenstein, Mauritius, Mexico, New Zealand, Norway, Pakistan, Panama, Paraguay, Peru, Switzerland, Turkey, the US, and Uruguay.

These participants account for over 70 percent of global services trade, according to the European Commission. China's pending application, which was submitted in September 2013, has not yet been formally approved, and no indication has been given on when or if this will occur.

Since the launch of the talks, TISA participants have been discussing a series of proposals for “new and enhanced disciplines” to include in the agreement, such as financial services, air and maritime transport, transparency, telecommunications, and government procurement, to name a few.

Of these disciplines, financial services and domestic regulation are advancing well, with sources noting that there has been significant convergence in what should be in those annexes, though details still need fine-tuning.

Other annexes that are also reasonably far along include telecommunications services, Mode 4, and e-commerce. Mode 4, in trade jargon, refers to the movement of natural persons – in other words, when someone from one country is in another’s territory for the purpose of supplying a service. E-commerce and Mode 4 are two areas that are particularly significant for many developing countries’ services trade interests.

Other areas that have advanced, but to a lesser degree, reportedly include maritime transport, transparency, and environment services. Govern-

ment procurement, an EU proposal, is in the early stages of discussion, sources say, being comparatively new.

Talks on a proposal backed by the US on competitive delivery services is considerably less advanced and will require more fine-tuning and discussion if it is to gain more support, sources say. Meanwhile, a proposal submitted by Turkey on healthcare services last year is unlikely to move ahead, given that the majority of TISA participants have said that they do not wish to engage on the subject within the trade deal.

TISA participants are reportedly aiming to have completed offers from all participants in early autumn. To date, Pakistan and Paraguay have not yet tabled initial offers, and some of the existing offers from other participants are not complete.

TISA participants have not put a formal deadline on the talks, sources say. The group is set to meet two more times this year, in October and December, with trade officials then aiming to hold another stocktaking exercise in early 2016.

Bailout Reforms Put Heavy Pressure on Greece’s Shipping Industry

Greece’s world-leading shipping industry is coming under increasing pressure to carry a big part of the new taxes the new bailout agreement requires. But industry executives and supporters say higher taxes threaten to drive away a business that employs more than 200,000 people and contributes around 7.5 percent of Greece’s gross domestic product. By comparison, tourism directly contributes about 600,000 jobs and 9 percent of GDP.

As part of negotiations with creditors for a third bailout, the Greek government has agreed to increase the tonnage tax - a flat, annual rate, based on a ship’s capacity, that is now roughly harmonized across the European Union. Greece also would gradually abolish some tax benefits that other EU countries also offer, the report says.

WIndex No. 17 – 22-28 July 2015	DIndex	WIndex
DIndex Delivered Daily by Email		
World Trade		
• Exports Slide Continues, Down 15.8% in June; Imports to Fall by 13.4%	6066	118
• CSIR Claims Victory in Nutmeg Mouthwash Bottle with Colgate Palmolive	6067	118
• Minister says IPR Policy to Fully Protect Patents, GIs and Copyrights	6076	119
• TISA Moves Forward, Bypassing WTO	6077	119
• U.A.E. Removes Fuel Subsidy	6078	120
• Bailout Reforms Put Heavy Pressure on Greece’s Shipping Industry	6079	120
Foreign Trade Policy		
• Narcotics Commissioner Gwalior NOC Required for 22 Items – 15-Ntn/21.07.2015	6074	117
• MEIS of 5% on Handicrafts Restored – 27-PN(RE)/14.07.2015	6063	116
• Bangladesh and Sri Lanka - 118 MEIS Rates Raised to 2% from 0 – 28-PN(RE)/15.07.2015	6064	116
Customs		
• Diamond Certification and Grading Procedure for Import and Re-export with Duty Exemption Notified – Ntnf 40/21.07.2015	6073	116
• Tariff Value of Brass Scrap Falls by \$45/MTs; Poppy Seeds \$689/MTs; Crude Palm Oil \$12/MTs; Crude Soya Bean Oil \$21/MTs; RBD Palm Oil \$8-10/MTs; Palmolein \$3/MTs – 67-Cus(NT)/15.07.2015	6068	119
• Rupee Gains against All Currencies for Customs Valuation in 16 July 2015 Notification – 68-Cus(NT)/16.07.2015	6065	119
Central Excise		
• CBEC Protects Differential Duty Regime- Against Imports, For Domestic Manufacturing – 34 to 36-CE/17.07.2015; 37 to 39-CE/21.07.2015; 1005-CBEC/21.07.2015	6062, 6072	113
CBEC Circulars		
• Service Tax Scrutiny Must for Max 5% of Returns in Each Commissionerate – 1004-CBEC/21.07.2015	6075	118
RBI Circular [AP(DIR Series)]		
• 5% Cap on Employees Stock Options to Non Residents Removed, FDI Policy to Provide Caps Norms – Cir.04/16.07.2015	6071	-
• Export Factoring Services with Recourse Basis Allowed – Cir.05/16.07.2015	6069	117
• RBI Says No to FPI Investment in Short Term Security Deposits of <3 years – Cir.06/16.07.2015	6070	-
*See details in www.worldtradesScanner.com		

U.A.E. Removes Fuel Subsidy

With lower oil prices, the U.A.E. will have a fiscal budget deficit for the first time since 2009, according to the IMF.

The United Arab Emirates, the third-biggest OPEC producer, will link gasoline and diesel prices to global oil markets starting next month, becoming the first country in the oil-rich Persian Gulf to remove transport fuel subsidies.

Fuel prices will be deregulated as of Aug. 1, the Ministry of Energy said in a statement on Wednesday. Diesel prices will also be linked to global markets, and are initially expected to decline, it said.

Gasoline is now subsidized in the U.A.E., the second-biggest Arab economy and home to about 6 percent of the world’s oil reserves. Unleaded gasoline 98 octane in the U.A.E. sells for 1.83 dirhams (50 cents) a liter, according to prices on the ministry’s website. The U.S. price of premium unleaded gasoline is \$3.18 a gallon, or 84 cents a liter, according to AAA, the biggest U.S. auto group. This is six times the rate of 16 cents in Saudi Arabia, the largest OPEC producer.

The U.A.E., which doesn’t impose income tax or measures such as value-added taxes, comprises seven sheikhdoms including Abu Dhabi and Dubai, Expatriates comprise about 80 percent of the country’s residents.

Budget Deficit

Energy subsidies will reach \$5.3 trillion this year, with the U.A.E. at \$29 billion and Saudi Arabia at \$106.6 billion, according to an International Monetary Fund report in May. Qatar has the world’s biggest subsidies per capita at \$5,995, compared with the U.S. at \$2,177 and China at \$1,652.